

Message Text

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ACTION TRSE-00

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4313

C O N F I D E N T I A L SECTION 1 OF 3 MANILA 13467

USADB

PASS TREASURY FOR BRADFORD/ESCOUBE

E.O. 11652: GDS

TAGS: EAID, EFIN

SUBJECT: ADB LOAN AND TA OPERATIONS FOR OCTOBER - HUMAN RIGHTS

REF: MANILA 12832

FOLLOWING ARE PROJECT DESCRIPTIONS FOR SEVERAL LOAN AND TA
PROJECTS EXPECTED TO COME BEFORE BOARD OF DIRECTORS IN
OCTOBER. REMAINDER STILL UNDER PREPARATION.

1. TASIKMADU SUGAR PROJECT (INDONESIA) (LOAN):

A. LOCATED IN CENTRAL JAVA, TASIKMADU SUGAR PROJECT
WILL GENERATE AN INCREMENTAL ANNUAL SUGAR PRODUCTION OF MORE
THAN 23,000T, DUE TO (I) THE REHABILITATION OF THE SUGAR
FACTORY AND (II) THE EXTENSION OF SMALLHOLDER SUGARCANE
CULTIVATION ON 3,000 HA. OF LAND (OF WHICH 2,000 HA. ARE
DRY LAND). MAJOR COMPONENTS OF THE PROJECT ARE THE FOLLOWING:

I. ESTABLISHMENT OF AGRICULTURAL EXTENSION SERVICES
AND RELATED FACILITIES TO ASSIST CANE FARMERS ON 1,000 HA. OF
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IRRIGATED LAND AND 2,000 HA. OF UNIRRIGATED LAND.

II. REHABILITATION OF THE FACTORY AND PROVISION
OF TRANSPORT FACILITIES.

III. SETTING UP OF AN AGRICULTURAL RESEARCH
SUBSTATION AND DEMONSTRATION PLOT FOCUSING ON RESEARCH
ON DRY LAND CANE CULTIVATION.

IV. PROVISION OF CONSULTANTS FOR (I) ASSISTING

THE IMPLEMENTATION OF THE PROJECT; (II) CARRYING OUT A MASTER PLAN STUDY OF THE REMAINING FACTORIES OF PNP XVI.

B. TOTAL COST OF THE PROJECT IS ESTIMATED AT US\$21.9M, CONSISTING OF US\$13.3M IN FOREIGN EXCHANGE AND US\$8.5M EQUIVALENT IN LOCAL CURRENCY. THESE COSTS INCLUDE AN ALLOWANCE FOR PHYSICAL CONTINGENCY AND PRICE ESCALATION.

C. PROJECT WILL DRASTICALLY IMPROVE INCOMES OF MORE THAN 10,000 POOR FARMERS' FAMILIES (60,000 PEOPLE BEING CONCERNED IN ALL):

I. ON IRRIGATED LAND, SHIFTING FROM FOOD CROPS TO SUGAR WILL INCREASE NET REVENUE PER HA. FROM US\$600 PER YEAR TO US\$1270 PER YEAR; AND

II. ON UNIRRIGATED LAND WHERE AT PRESENT THE FARMERS' EARNINGS FROM CANE ARE AT BELOW SUBSISTENCE LEVEL, THE NET REVENUE PER HA. WILL RISE FROM AN AVERAGE OF US \$240 TO MORE THAN US\$1000 PER YEAR.

D. MOREOVER, BEING A PIONEER PROJECT, TASIKMADU SUGAR PROJECT WILL HAVE A CONSIDERABLE DEMONSTRATION EFFECT. THIS WILL BE FIRST SUGAR PROJECT IN JAVA UNDER NEW GUIDELINES ON SUGAR OF THE GOI: (I) DEVELOPMENT OF SUGARCANE CULTIVATION CHIEFLY ON DRY LAND TO MINIMIZE CROP COMPETITION, AND (II) CULTIVATION OF CANE

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THROUGH INDEPENDENT FARMERS. (TRADITIONALLY, FOR MORE THAN A CENTURY, CANE HAS BEEN CULTIVATED IN JAVA ON THE BEST IRRIGATED LAND AND ON LAND RENTED BY THE FACTORY TO FARMERS.)

2. VOCATIONAL EDUCATION PROJECT (NEPAL) (LOAN);

A. PROJECT INVOLVES PLANNING, CONSTRUCTION, EQUIPPING, AND INITIAL OPERATIONAL SUPPORT OF SKILLS AND LOWER TECHNICIAN LEVEL TRAINING CENTER IN DHARAN, IN EASTERN REGION OF NEPAL. ALTHOUGH CENTER WILL COME UNDER DIRECTION OF INSTITUTE OF ENGINEERING, TRIBHUVAN UNIVERSITY, IT WILL CONCENTRATE ON LOW LEVELS OF TRAINING AS BEING THE PRORITY REQUIREMENT OF THE REGION. IN ADDITION TO PROVISION OF LOAN FUNDS FOR BUILDINGS, FURNITURE AND EQUIPMENT, PROJECT WILL PROVIDE FOR TRAINING OF A CADRE OF INSTRUCTORS AND FOR CONSULTING SERVICES BOTH FOR THE INITIAL DEVELOPMENT OF PROJECT AND FOR FIRST STAGE OF TRAINING. TOTAL COST OF PROJECT IS ESTIMATED AT US \$5.0 MILLION EQUIVALENT. AMOUNT PROPOSED FOR BANK FINANCING IS THE TOTAL FOREIGN EXCHANGE COST OF US \$3.5 MILLION PLUS A LOCAL CURRENCY COMPONENT OF US\$0.70 MILLION. IT IS FURTHER BEING RECOMMENDED THAT

LOAN BE MADE FROM THE BANK'S SPECIAL FUND, WITH A LOAN
PERIOD OF 40 YEARS INCLUDING 10 YEARS GRACE.

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B. POPULATION OF THE EASTERN REGION OF NEPAL IS
ALIROXIMATELY 4.98 MILLION AND AT PRESENT TIME THERE ARE
ONLY PLACES FOR 20 SKILLED TRAINEES ANNUALLY. ADDITIONALLY,
THE CENTER FOR THESE 20 TRAINEES IS TOTALLY INADEQUATE IN
ALL RESPECTS. DHARAN, SITE OF THE CENTER, IS A CENTER OF
DEVELOPMENT WHOSE POPULATION HAS INCREASED OVER
THIRTY-FOLD SINCE 1960 AND WITH THE NEW ROAD WHICH
IS BEGINNING TO BE CONSTRUCTED UNDER BRITISH AID PROGRAM
WILL INCREASE IN IMPORTANCE. A LARGE NUMBER OF PEOPLE
IN THE AREA LIVE AT JUST OVER SUBSISTENCE LEVEL AND
TRAINING TO BE GIVEN AT THE CENTER WILL PROVIDE OPPOR-
TUNITY FOR YOUTH IN REGION TO ESCAPE FROM THE PRESENT
"PROVERTY TRAP". CENTER WILL PROVIDE ACCOMMODATION FOR
A TOTAL TRAINEE POPULATION OF AROUND 730. COURSES WILL
BE PRACTICAL AND WORK-ORIENTED AND BASED ON A MODULAR
SYSTEM TO ALLOW FLEXIBILITY FOR CHANGING NEEDS IN THE
REGION.

3. VOCATIONAL EDUCATION PROJECT (BANGLADESH) (TA):
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A. TWO VOCATIONAL EDUCATION PROJECTS ARE BEING PROCESSED FOR BANGLADESH. BANGLADESH EDUCATIONAL EQUIPMENT DEVELOPMENT BUREAU (BEEDB) WILL PROMOTE THE LOCAL MANUFACTURE OF INSTRUCTIONAL EQUIPMENT IN BANGLADESH IN ORDER TO ALLEVIATE WIDESPREAD SHORTAGES OF PRACTICAL INSTRUCTIONAL EQUIPMENT IN THE LABORATORIES OF PRIMARY, SECONDARY AND HIGHER EDUCATIONAL INSTITUTIONS. MOST EDUCATIONAL INSTITUTIONS IN BANGLADESH ARE SORELY PACKING IN EQUIPMENT AND CONSUMABLE SUPPLIES FOR THEIR CHEMISTRY, BIOLOGY PHYSICS AND MECHANICS LABORATORIES, SINCE A GREAT DEAL OF SUCH EQUIPMENT WAS STOLEN OR DESTROYED DURING CIVIL DISTURBANCES AND WAR AND VIRTUAL ABSENCE OF FOREIGN EXCHANGE HAS LIMITED THE QUANTITIES OF SUCH EQUIPMENT THAT ARE PROCURED FROM ABROAD. THE PROVISION OF LOAN AND TECHNICAL ASSISTANCE TO ESTABLISH THE BEEDB AS A DESIGN AND PRODUCTION UNIT, USING BOTH LOCAL AND IMPORTED COMPONENTS AND MATERIALS, WILL ALLEVIATE THE PRESENT SITUATION, SAVE FOREIGN EXCHANGE, AND ENABLE PRODUCTION, DISTRIBUTION AND UTILIZATION OF SUCH EQUIPMENT IN BANGLADESH. AVAILABILITY OF ADEQUATE AMOUNTS OF EQUIPMENT OR "HANDS-ON" LEARNING EXPERIENCES AND EXPERIMENTS SHOULD MARKEDLY IMPROVE THE CALIBER OF STUDENTS TRAINED AT ALL LEVELS OF THE EDUCATIONAL SYSTEM. DIRECT, MEASURABLE BENEFITS IN TERMS OF IMPROVED STUDENT ABILITIES WILL ACCRUE FROM THIS PROJECT.

B. SECOND PROJECT ENVISAGES THE CREATION OF A COMPLETELY NEW TYPE OF EDUCATIONAL INSTITUTION IN BANGLADESH. RURAL VOCATIONAL TRAINING INSTITUTES (RVTI) WILL BE ESTABLISHED AT THE THANA (COUNTY) LEVEL OF PROVIDE TRAINING TO VILLAGE YOUTH SO THAT THEY CAN BE GAINFULLY EMPLOYED IN THEIR OWN ENVIRONS, RATHER THAN MIGRATE TO THE CITIES. EMPHASIS IS TO BE

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GIVEN TO TRAINING OF VILLAGE "TINKERERS", RURAL REPAIRMEN/ CRAFTSMEN AND PERSONS CAPABLE OF CONSTRUCTING AND REPAIRING SIMPLE FARM TOOLS AND IMPLEMENTS. THE RVTIS WILL IMPART TRAINING APPROPRIATE TO LOCAL RURAL NEEDS AND BEGIN A PROCESS OF MODERNIZATION OF RURAL SKILLS. APPROXIMATELY 85 PERCENT OF THE 84 MILLION PEOPLE IN BANGLADESH ARE LOCATED IN RURAL AREAS AND ARE ENGAGED IN AGRICULTURAL OCCUPATIONS. NEARLY HALF OF THE TOTAL POPULATION IS UNDER 20 YEARS OF AGE. THE SIZE AND GROWTH RATE OF THE WAGE-PAID/INDUSTRIAL LABOR FORCE IS ONLY A SMALL PERCENTAGE OF THE TOTAL POPULATION. FOCUS OF DEVELOPMENT IN BANGLADESH MUST CONTINUE TO BE UPON

ATTAINING SELF-SUFFICIENCY IN FOOD GRAINS AND INCREASING EXPORT CROPS, RATHER THAN LARGE-SCALE INDUSTRIAL GROWTH. FOR THE BULK OF THE POPULATION WHICH MUST REMAIN ON THE LAND, MOST RATIONAL EDUCATIONAL SECTOR DEVELOPMENT APPEARS TO BE IMPROVEMENT OF RURAL-AGRICULTURAL TECHNOLOGY THROUGH EDUCATION AND OTHER RELATED MEASURES. RVTIS WILL DEAL WITH TRANSMISSION OF MODERN, YET STILL APPROPRIATE, BASIC TECHNOLOGY TO RURAL CRAFTSMEN, WHO WILL REMAIN IN THEIR HOME AREAS AS EITHER COTTAGE INDUSTRY WORKERS OR LOCAL FABRICATORS/REPAIRMEN, RATHER

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THAN MIGRATE TO THE TOWNS IN SEARCH OF INDUSTRIAL EMPLOYMENT. FIRST PHASE OF 17 RVTIS WITH AN ANNUAL OUTPUT OF ABOUT 580 WILL CONSTITUTE A PILOT PROJECT ENDEAVORING TO PROVIDE APPROPRIATE BASIC RURAL EDUCATION DESIGNED TO UPGRADE BASIC RURAL SKILL LEVELS. IT IS NOT POSSIBLE TO ESTIMATE HOW MANY NEEDY PEOPLE WOULD BENEFIT FROM THIS PROJECT AT THIS EARLY STAGE. SUFFICE IT TO SAY THAT A BROAD GAP APPEARS TO EXIST BETWEEN ACTIVITIES OF EXISTING AGRICULTURAL EXTENSION AGENCIES, EDUCATIONAL INSTITUTIONS AS THEY ARE PRESENTLY CONCEIVED, AND MOST COMMUNITY DEVELOPMENT IN BANGLADESH. THIS UNSERVED AREA CONCERNS THE TRANSMISSION OF IMPROVED AGRICULTURAL TECHNOLOGY AND ITS ADAPTATION TO LOCAL REQUIREMENTS. SHOULD THE FIRST PHASE PROVE SUCCESSFUL, ONE MIGHT ENVISAGE

RVTIS MAKING A SIGNIFICANT IMPACT UPON A LARGE PROPOR-
TION OF RURAL BANGLADESH POPULATION. INCREASE IN
INCOME RESULTING FROM THIS PROJECT WILL INITIALLY BENEFIT
THE 580 TRAINEES EACH YEAR AS THEIR REAL INCOME IS
LIKELY TO RISE FROM BARE SUBSISTENCE TO RELATIVELY
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COMFORTABLE LEVELS. ONE MIGHT PROJECT THAT A LOCAL
COMMUNITY MARKET INFRASTRUCTURE COULD RESULT FROM THIS
TYPE OF TRAINING WHICH DIRECTLY PRODUCES USABLE LOCAL
SKILL LEVELS.

4. PABNA IRRIGATION PROJECT (BANGLADESH) (TA):

A. FEASIBILITY OF THE PABNA IRRIGATION DRAINAGE AND
FLOOD CONTROL PROJECT WAS STUDIED IN 1969/70 BY A LOCAL
CONSULTING FIRM WITH ASSISTANCE FROM SANYU CONSULTANTS
OF JAPAN. PROJECT AS CONCEIVED COVER 9 THANAS IN THE
DISTRICT OF PABNA AND RAJSHAHI EXTENDING OVER
200,000 HA. OF WHICH 75 PERCENT IS IRRIGABLE. AREA HAS
A POPULATION OF 1.5 MILLION, ABOUT 80 PERCENT OF WHOM ARE
ENGAGED IN FARMING. AVERAGE SIZE OF HOLDING IS ABOUT 1
HA. ABOUT 60 PERCENT ARE OWNER OPERATORS WHILE THE REST
ARE TENANTS OR SHARECROPPERS. PADDY IS THE MOST IMPORTANT
CROP, ACCOUNTING FOR 65 PERCENT OF THE GROSS CROPPED AREA
OF 220,000 HA., BUT YIELDS ARE LOW AT 1 TO 1.5 M.T./HA.
FOR FLOOD RESISTANT VARIETIES AND 3.5 M.T./HA. FOR HYV.
PROJECT AREA IS FAIRLY WELL SERVED WITH AGRICULTURAL
SUPPORTING SERVICES AND FACILITIES FOR EDUCATION AND
HEALTH.

B. PROJECT IS CONCEIVED TO HAVE TWO
FUNCTIONS, DRAINAGE AND FLOOD CONTROL, AND IRRIGATION.
PROTECTION FROM RIVER FLOODING WILL BE PROVIDED BY A
PERIMETER BUND INCORPORATING THE WESTERN BOUNDARY RAILWAY
EMBANKMENT. INTERNAL RAINFALL RUN-OFF WILL BE EVACUATED
BY PRIMARY DRAINAGE PUMPING STATIONS AT THE RIVER EMBANK-
MENTS. IRRIGATION WILL BE MAINLY FROM SURFACE
WATER, BY REVERSING THE OPERATION OF THE DRAINAGE PUMP
STATIONS AT BERA AND DEMRA IN THE DRY SEASON TO DRAW
JAMUNA WATER BY BACKFLOW UP THE BARAL RIVER. THE
PROJECT IS PLANNED FOR IMPLEMENTATION IN TWO PHASES,
PHASE I AND PHASE II IN TERMS OF TWO SUB-AREAS.
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C. TOTAL COST OF THE PROJECT WAS ESTIMATED IN 1970 AT
US\$109 MILLION, OF WHICH THE FOREIGN EXCHANGE COMPONENT
WAS ABOUT US\$23 MILLION. PROJECT WHEN FULLY DEVELOPED WAS
EXPECTED TO RESULT IN THE ADDITIONAL PRODUCTION OF 360,000

M.T. OF PADDY AND 10,000 M.T. OF JUTE BESIDES SUB-STANTIAL INCREASES IN OTHER CROPS. THE EIRRR WAS ESTIMATED AT 20 PERCENT.

D. BANK STAFF BELIEVE THAT TECHNICAL ASSISTANCE IS NECESSARY TO OVERCOME A NUMBER OF POSSIBLE PROBLEMS. THE TECHNICAL ASSISTANCE WOULD HAVE TWO SPECIFIC PARTS: PART I WOULD REVIEW THE GOVT'S PROPOSAL BASED ON THE FEASIBILITY STUDY AND OTHER RELATED INFORMATION SO AS TO DETERMINE THE RELATIVE ECONOMIC ADVANTAGE OF GROUND WATER DEVELOPMENT VERSUS SURFACE WATER IRRIGATION ON AN AREA BASIS AND TO RECOMMEND A PRIORITY AREA WITH APPROPRIATE SIZE FOR THE FIRST PHASE DEVELOPEENT: PART II WOULD BE THE FEASIBILITY STUDY FOR THE FIRST PHASE AREA. ABOUT 46 MAN-MONTHS OF PROFESSIONAL CONSTULTANTS' TIME OF WHICH 25 MAN-MONTHS WOULD BE EXPATRIATES AND THE REST LOCAL WOULD BE NEEDED TO COMPLETE THE STUDY. THE ESTIMATED COST OF THE TA IS \$280,000 OF WHICH \$220,000 WOULD BE THE FOREIGN EXCHANGE COST.
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